

Message Text

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21

ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-02 LAB-04

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 8027

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY ASUNCION

AMEMBASSY CARACAS

AMEMBASSY MEXICO CITY

AMEMBASSY MONTEVIDEO

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L BRASILIA 1708

E.O. 11652: XGDS-1

TAGS: ETRD, ECIN, BR

SUBJECT: GOB RESERVED ON SELA

1. SUMMARY - GOB APPROACH TO FORMATION OF COMMODITY CARTELS IS BOTH CAUTIOUS AND REALISTIC. IT PREFERS TO WORK WITH THE US AND OTHER INDUSTRIAL CONSUMER COUNTRIES, SHUNNING THE CONFRONTATION TACTICS OF OPEC. SELA IS LOOKED UPON WITH SCEPTICISM AND RESERVE. HOWEVER, WERE OTHER LA COUNTRIES ABLE TO PRESENT APPARENTLY PERSUASIVE CASE FOR SUCH ORGANIZATION BY PUTTING FORWARD OPERATIONALLY MEANINGFUL CONCEPT PROMISING TANGIBLE BENEFITS, BRAZIL WOULD NOT REFUSE ITS CONCURRENCE. MORE IMPORTANTLY, BRAZIL WOULD NOT WISH TO ISOLATE ITSELF POLITICALLY ON THIS ISSUE FROM THE REST OF LATIN AMERICA. FOR THE TIME BEING, BRAZIL MAINTAINS ITS SCEPTICAL ATTITUDE WITHOUT, HOWEVER, FORECLOSING POSSIBILITY OF PARTICIPATION. END SUMMARY.

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2. ON FEBRUARY 26, IN NOTING RESULTS OF DAKAR CONFERENCE, MINISTER OF INDUSTRY & COMMERCE SEVERO GOMES TOLD PRESS THAT FORMATION OF INTERNATIONAL CARTELS TO DEFEND RAW MATERIALS PRICES WAS NOT A DESIRABLE SOLUTION TO THE TRADE PROBLEMS OF DEVELOPING COUNTRIES; HE THOUGHT PERSONALLY THE CREATION OF DOMESTIC STOCKS BY PRODUCING COUNTRIES A FAR MORE VIABLE MEASURE. ACCORDING TO PRESS, MINISTER EXPLAINED THAT FORMATION OF CARTELS BY COMMODITY PRODUCERS COULD BE MET BY SIMILAR ACTION ON THE PART OF INDUSTRIALIZED COUNTRIES, WHICH WOULD UNITE AND

CREATE ORGANIZATIONS TO PROTECT THEMSELVES, AND THAT LDC PARTICIPATION IN CARTELS COULD PROVOKE DISCRIMINATORY COUNTER-MEASURES BY THE DEVELOPED COUNTRIES SUCH AS THOSE TAKEN BY THE US IN PASSING TRADE ACT.

3. RE FORMATION OF A LATIN AMERICAN ECONOMIC ASSOCIATION (SELA), AS RECENTLY PROPOSED TO BRAZIL BY VENEZUELA (BRASILIA 1319), BRAZILIAN PRESS REPORTS FOREIGN MINISTRY SOURCES TO HAVE STATED THAT BRAZIL HAS NOT TAKEN ANY DEFINITE POSITION AND THAT GOB MIGHT SUPPORT SUCH PROPOSAL PROVIDED IT WAS CONSISTENT WITH BRAZIL'S POSITION ON RAW MATERIALS PRICES; HOWEVER, BRAZIL WOULD NOT ACCEPT ESTABLISHMENT OF AN INSTRUMENT OF CONFRONTATION WITH THE US. SIMILAR, SEVERO GOMES WAS REPORTED TO HAVE CONCEDED THAT GOB WOULD NOT EXCLUDE POSSIBILITY OF PARTICIPATION IN SOME REGIONAL MECHANISM TO DEFEND COMMODITY PRICES.

4. UPON ARRIVE IN BRASILIA FEBRUARY 27, MEXICAN MINISTER FRANCISCO ALEJO, ACCORDING TO PRESS, ACKNOWLEDGED THAT VENEZUELAN-MEXICAN PROPOSAL FOR SELA WAS INTENDED TO FOLLOW OPEC EXAMPLE TO DEFEND LA RAW MATERIALS BUT HE DENIED THAT THE OBJECTIVE WAS CONFRONTATIONS WITH THE US. AFTER CALLS ON PRESIDENT GEISEL AND FOREIGN MINISTER SILVEIRA, ALEJO DID NOT MAKE ANY PUBLIC STATEMENT AND DEPARTED BRASILIA FEBRUARY 29 FOR ASUNCION AND MONTEVIDEO. PRESS REPORTED THAT MAIN POINT OF ALEJO'S PRESENTATION TO GOB WAS ASSURANCES THAT SELA WAS NOT INTENDED AS ORGANIZATION OF CONFRONTATION. O ESTADO DE SAO PAULO REPORTED THAT THERE

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HAD BEEN NO CHANGE IN THE BRAZILIAN POSITION REGARDING THE SELA PROPOSAL.

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5. ON FEBRUARY 27, PRIOR TO THE MEXICAN OFFICIALS' ARRIVAL,

EMBASSY OFFICER DISCUSSED SELA PROPOSAL WITH LUIZ LAMPREIA, ECONOMIC ADVISOR ON FOREIGN MINISTER'S STAFF. ACCORDING TO LAMPREIA, GOB REMAINS UNIMPRESSED WITH SELA PROPOSAL, AND DOES NOT BELIEVE PROPOSAL, IN ITS PRESENT FORM, HAS MUCH CHANCE OF SUCCESS

BRAZIL SEES SELA AS AN EFFORT BY VENEZUELA TO ASSERT SOME MEASURE OF LEADERSHIP IN THE HEMISPHERE BUT ITS PROPOSAL HAS NOT BEEN THOUGHT THROUGH, AND WILL PROBABLY END UP MUCH THE SAME AS OLADE, AN EARLIER VENEZUELAN INITIATIVE. SPECIFICALLY LAMPREIA CONCEDED THAT IF SELA IS, IN FACT, FORMED, BRAZIL WOULD FEEL OBLIGED TO JOIN AND THAT, IF IT DID SO, IT WOULD SEEK TO EXERT ITS INFLUENCE IN DIRECTION OF REASON-ABLE AND EFFECTIVE POLICIES. LAMPREIA SAID CONCLUSION WAS GENERALLY ACCEPTED WITHIN GOB THAT NO OTHER COMMODITY PROBABLY ENJOYS THE POLITICAL OR ECONOMIC CIRCUMSTANCES THAT PERMITTED OPEC TO OPERATE SUCCESSFULLY. FOR THAT REASON BRAZIL, IN PURSUING FAVORABLE PRICES FOR ITS EXPORT COMMODITIES, WOULD HAVE TO AVOID POLICIES ANTAGONISTIC TO CONSUMER COUNTRIES.

6. COMMENT: BRAZILIAN SKEPTICISM OF PROPOSALS ON CARTEL ARRANGEMENTS AND NEW INTER-AMERICAN ECONOMIC ORGANIZATIONS STEMS MORE FROM BELIEF THAT PROPONENTS HAVE SOME POLITICAL OBJECTIVE, WHICH THE GOB DOES NOT SHARE, OR THAT PROPOSAL WOULD NOT BE IN THE LONG-TERM INTEREST OF BRAZIL, RATHER THAN FROM STRONG CONVICTION AGAINST SUCH SCHEMES. BRAZIL'S BASIC APPROACH IS THAT IT SUPPORTS ANY ARRANGEMENT WHICH WOULD BE IN ITS LONG-TERM INTEREST. BRAZIL'S CAUTIOUS ATTITUDE TOWARD THE IRON ORE PRODUCER GROUP, FOR INSTANCE, WAS BASED ON THE FACT THAT, SINCE IT HAS A SIZEABLE EXPANSION PROGRAM IN THIS AREA, IT ID NOT WISH TO ENTER INTO AN ARRANGEMENT THAT MIGHT CREATE BARRIERS TO BRAZILIAN EFFORTS TO INCREASE ITS SHARE OF THE IRON ORE MARKET. ALSO, BRAZIL

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IS MUCH MORE REALISTIC ABOUT THE FEASLITY AND EFFECTIVE-NESS OF CARTEL ARRANGEMENTS THAN MOST OTHER LDCS. PERHAPS THIS ATTITUDE REFLECTS ITS EXPERIENCE WITH THE WORKING (OR NON-WORKING) OF THE COFFEE AGREEMENT. BRAZIL BELIEVES THAT THE OPEC EXAMPLE IS DIFFICULT TO EMULATE. IT, THEREFORE, PREFERS THAT RAW MATERIAL SUPPLIERS COOPERATE WITH CONSUMER COUNTRIES ON MUTUALLY BENEFICIAL ARRANGEMENTS. IT BELIEVES THAT CONFRONTATION TACTICS, WHICH WERE SUCCESSFUL FOR THE OIL PRODUCERS, WILL HAVE TO GIVE WAY TO MORE RATIONAL APPROACHES.

7, WITH RESPECT TO SELA, BRAZIL, IN ADDITION TO HAVING DOUBTS ABOUT ITS ECONOMIC VIABILITY, THE POLITICAL MOTIVES BEHAND IT. THIS IS MORE THE RESULT OF ITS PROPONENTS NOT HAVING MADE A GOOD CASE FOR IT RATHER THAN A BASIC BRAZILIAN

OPPOSITON TO SUCH AN IDEA. IF OTHER LA COUNTRIES CAN
DEMONSTRATE THAT A NEW ORGANIZATION WOULD BE OPERATIONALLY
MEANIGFUL AND COULD BRING NEW BENEFITS TO BRAZIL, PARTICULARLY
IF THIS MEANS A NEW SOURCE OF ASSISTANCE, THEN THEY COULD
PROBABLY SECURE BRAZIL'S CONCURRENCE. END CONFIDENTIAL.
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